

TESTIMONY



**Connecticut
State Building
Trades**

Of the Connecticut State Building Trades

On HB5741, AAC the Prevailing Wage Thresholds

Before the Labor and Public Employees Committee

March 15, 2006

The CSBTC represents over thirty thousand of the sixty thousand construction workers in the State of Connecticut, and is also a member of the Connecticut Construction Labor Management Council, a group dedicated to achieving cooperation between Labor and Management to advance the construction industry in the state. There is a fact sheet from CCLMC attached to this testimony.

I am here this morning to testify against HB5741, and in support of the prevailing wage statute as it currently exists. The prevailing wage law enables tens of thousands of Connecticut construction industry employees to maintain their health benefits, their pensions, and their quality of life. It allows them to contribute to the economic vitality of the communities in which they live. Connecticut's prevailing wage law currently has a threshold of \$400,000, the nation's second highest. New York and Massachusetts have no threshold. The law applies from the first dollar.

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Rhode Island has a 1000 dollar threshold. The change proposed to this law would make Connecticut the highest threshold in the nation. I do not think that Connecticut would feel the same pride in being #1 in prevailing wage threshold as we do when our basketball teams reach #1.

Peer reviewed studies from around the United States repeatedly confirm that efforts to weaken or abolish prevailing wage laws result in no appreciable savings for public construction projects. The Connecticut State Legislature's Program Review and Investigations Committee did a thorough study in 1996 that concluded the cost to Connecticut is about 5.8%, based on the 30% difference in labor cost that opponents of the law claims to exist. The CSBTC doubts that 30% figure, by the way. Labor accounts for only about 25% of the total cost of a job, according to the AGC. These studies show that the resulting revenue losses from the lower personal income of the workers and the drop in sales tax revenue can create a net negative impact on the finances of the state. The result of modifying the law would be to begin a "race to the bottom", to see who could pay less in wages and benefits to win contracts. One of the first casualties of weakening CGS 31-53 would be the worker health benefits and pension plans that are provided to a large number of construction workers as a result of the benefit component of the Prevailing Wage law. Think of the people whose wages and benefits will be cut by the 30 % the opponents of CGS 31-53 claim will be saved. Will they be able to afford to pay for medical insurance? I am sure you are aware of the costs to the state and municipalities to cover uninsured, non Medicare/ Medicaid eligible, working poor people. Will they be able to put aside money for their retirement? Construction work is

not a kind environment for elderly workers who should be enjoying retirement, but must work so they can eat.

The argument that the law is not needed anymore is also flawed. Opponents claim there are safeguards in effect to prevent community standards from being eroded, that workers only travel to Connecticut to work because of the high wages, and will not do so if the wages are lowered, or that the prequalification system the state uses prevents bad contractors that pay low wages from winning public works jobs. Look in any major city in the state between 6AM and 10AM and you will find hundreds of day workers willing to accept almost any pay to work construction. They do not have to travel to Connecticut. They are here. Look at UCONN. UCONN hired a contractor from Birmingham, Alabama, Capstone Development, to build the Hilltop Apartments on the Storrs Campus. The Connecticut Department of Labor investigated the payrolls of the 30 subcontractors working for Capstone, and discovered they underpaid their workers by about \$800,000 total. At least one of the subcontractors had imported undocumented workers from Mexico, and failed to pay them anything for nearly a month. It is obvious the standards set by our community are being violated on a daily basis in spite of the law. At UCONN, these workers, the majority of whom were from out of state (128 out of 143, according to the Journal Inquirer) were being paid as little as \$6.50 per hour, and had traveled from Mexico and Central America to work in Connecticut. The State DOL recovered \$800,000 for the workers, and then fined the contractors \$274,000. Capstone, whom you would have thought by that time would have problems passing the prequalification process was then given, not after a bid process but an interview, a 12

million dollar contract to build more housing on the UCONN Campus. If you remember, that is the housing that we had to repair this year because of fire code violations.

Opponents say that prevailing wages are the union scale for the area. The truth is that every three years the United States Department of Labor conducts a survey in Connecticut of all construction work that is performed in the state. A wage that is certified as the prevailing wage must be paid on over 50% of the jobs surveyed. The federal DOL then transmits the results to the state DOL, and that is how the dollar amount is arrived at. The thing to remember about the wage scale in Connecticut, however, is that construction is not a 52 week per year, year-in and year-out occupation. Seasonal layoffs are the normal routine due to harsh winters, and extended layoffs often result from the extremely cyclical nature of the construction industry. The ability of the states' contractors to keep a workforce sufficient to meet the demands of the industry is directly linked to the workers abilities to sustain themselves during the lulls of the industry. This requires a higher hourly wage than is paid to workers that work year round, such as municipal workers or maintenance workers.

Weakening the prevailing wage law, especially at this time, is extremely shortsighted public policy. Weakening the prevailing wage law would:

- exacerbate the State's growing healthcare coverage crisis, leaving thousands more Connecticut citizens uninsured and posing even more burden on the State's health care system

- contribute to the growing national concern regarding future pension and retirement coverage for America's aging population;
- threaten to reverse the gains made in worker safety over the last 25 years;
- threaten to compromise the quality of workmanship, productivity, and return on investment for state and local construction projects in Connecticut;
- Jeopardize the future of training and apprenticeship programs, which are critical to contractors seeking the skilled workers who have the experience to complete a quality job, on time and on budget.

In the case of prevailing wage, the medicine offered by HB5741 would indeed be worse than the symptoms require.